Exhibit C

HUMAN SERVICES
DEPARTMENT

Audit Summaries

June 24, 2013

Behavioral Health Provider Audit Results
06/24/2013

Summary

For the last five months, fifteen behavioral health and substance abuse providers in New Mexico (accounting for roughly 85% of the state's behavioral health spending for more than 30,000 of the most vulnerable and difficult to treat consumers) have been the subject of likely the most rigorous behavioral health audit in state history. The audit was prompted by a pattern of serious concerns that were identified by the Behavioral Health Collaborative during the first eight months of 2012, which point to the presence of endemic and egregious mismanagement throughout the State that undermines patient care, waste of state and federal Medicaid dollars, and in some cases, potential fraud that is being reported to the proper state and federal authorities. These deficiencies appear to have persisted for several years, and were identified as the result of a new software system designed to better detect errors and potential abuse, as part of ongoing quality control efforts.

The Human Services Department (HSD) has acted on this information, communicating with the Attorney General's Office (AGO) regularly and providing them with documentation that has already led to action being taken against a behavioral health provider in Carlsbad that had been billing improperly, and lacked documentation to substantiate that care had been provided. Full-scale audits of behavioral health providers were commissioned in February of this year to carefully document and explore the extent of the concerns raised by HSD and OptumHealth, as well as quantify the impact of erroneous billing and payments.

The audit results indicate that each of the fifteen providers audited failed to meet minimal compliance standards, with error rates far exceeding national documented averages, and $36 million in definitive overpayments have been identified. The errors and overpayments were so widespread that the business and billing practices of every provider warrants careful scrutiny. In a few specific cases, the audit results point to potential fraudulent activity by certain behavioral health executives. Human Services Department officials have met with the U.S. Attorney's Office, the Attorney General's Office and other law enforcement agencies to report their findings.

HSD and the Behavioral Health Collaborative believe that our collective focus should always be on helping those who struggle with substance abuse, suicidal tendencies, and a myriad of other behavioral health afflictions. The audit was conducted to identify and overcome systemic problems that had been allowed to exist for far too long. As we continue this process of ensuring future compliance by all behavioral health providers and while any further investigations by the proper authorities are conducted, HSD is prepared to ensure that skilled providers will be available to maintain services across the state.

Introduction

New Mexico currently has some of the nation's highest rates of suicide (19.9 deaths per 100,000 people), drug overdose deaths (23.3 deaths per 100,000 people), and substance abuse deaths (42.2 deaths per 100,000 people). Clearly we face a very striking crisis in our communities that requires serious, immediate attention.

The State has an obligation to protect taxpayer dollars by investigating, reporting, and recovering any funds that may have been misspent or overpaid to ensure that some of our most vulnerable citizens are receiving the care they most need.

In early 2012, OptumHealth implemented an enhanced software system designed to more efficiently detect potential fraud, waste, and abuse to assist in monitoring providers within its network. From the beginning of implementation of this software, immediate concerns arose. Optum performed claims reviews, or desk audits, of the data that was being flagged in their system. Upon review of this data, they contacted the appropriate officials at the HSD which began a process of reviewing Optum's findings to make recommendations.

Key Statistics

New Mexico currently has some of the highest rates of suicide, drug overdose deaths, and substance abuse deaths in the nation.

Suicides: 19.9 deaths (5th Nationally)

Drug Overdose: 23.3 deaths (2nd Nationally)

Substance Abuse: 42.2 deaths (1st Nationally)

(Death rates per 100,000 people. Substance abuse includes drug overdose and alcohol related deaths. Numbers and rankings are from 2010.)

In February 2013, based on the review of the findings, HSD entered into a contract with Public Consulting Group, Inc. (PCG), a company with a strong record of providing similar services to other states and the federal government, to audit 15 behavioral health and substance abuse providers throughout the state. These audited providers accounted for approximately 85% of dollars spent to provide treatment for more than 30,000 of the most vulnerable and difficult to treat consumers of behavioral health services.

Audit Activity

Beginning on February 25, 2013, PCG, along with staff from OptumHealth and the State, began moving on the audit process. Visits to providers were unannounced and conducted under the terms of each provider's Medicaid contract. Random clinical files and human resources files were identified for the audit with each provider. Once all of these documents were obtained, the audit team began their work.

Each of the 15 providers audited failed to meet compliance standards. Through the PCG audits, $36 million in overpayments has been identified, which relates to more than 14% of the amounts paid to these providers, funds which could have been reinvested into our fragile system for further treatment. This is well above the national documented average established by the federal General Accounting Office (GAO) of 3% to 9% of all payments that constitute fraud, waste, and abuse. Even after removing the claims submitted with human documentation errors, the audit found that more than 25% of the audited claims should not have been billed. When HSD examined the case files which impact health and safety of individual consumers, a more than 57% error rate was discovered.

Audit Findings

Each of the 15 providers audited through this process failed to meet compliance standards.

$36 million in overpayments have been identified, amounting to more than 14% of the dollars paid to these providers.

The most egregious claims that were audited were found to have a more than 25% error rate while the case files impacting individual health and safety were found to have a 57% error rate.

In order for New Mexico to reverse the high rate of suicide, drug overdose deaths, and substance abuse deaths, this systemic audit had to take place. Key findings demonstrate that, at the very least, widespread mismanagement has occurred that negatively affected the efficient and effective delivery of services, while some of the audits found potential cases of fraud, waste, and abuse.

Some of the key findings on the clinical case files include:

- Safety and risk assessments were not completed or updated for behavioral health patients who were determined to have current or past suicidal tendencies, homicidal tendencies, self-harm issues, or domestic violence issues;
- Treatment plans were not updated and individualized for each consumer, in many cases over several years; and
- A lack of proper licensing and training of the clinician or provider performing the service.

Real Life

Of course, these audits are not just about numbers and letters on pieces of paper in some office. These audits are about real people and the care that they may or may not be receiving. Critical incidents reported by providers and tracked by OptumHealth since July 2009 show an alarming rise in critical incidents affecting consumers' lives – from injuries and the need for emergency services, to homicide, attempted suicide, and suicide.

Table 1: OptumHealth NM Critical Incidents Report – Summary of CI-04 for FY10, FY11, FY12

Fiscal Year	Total Critical Incidents Reported	Attempted Suicides	Suicides	Homicides	Injuries/Emergency Services
2010	1659	60	6	2	362
2011	2067	44	11	4	351
2012	2410	51	13	5	577

Data is compiled by OptumHealth from provider reports

Some examples of mismanagement, fraud, waste, and abuse affecting real lives include:

Egregious lack of treatment resulted in a suicide when an individual sought help while feeling suicidal after being involved in a fatal shooting. The provider's records indicate "NO" was marked for conducting a safety assessment with the consumer. After 6 different clinical sessions – each of which indicated that the provider had failed to follow up with the primary care provider either for treatment, or to conduct any assessments on the consumer – the consumer committed suicide by hanging himself at his grandmother's home.

Disregard for follow up care after a suicide attempt was found in one case file where a consumer feeling suicidal came to a provider who did not conduct a safety assessment, which is a standard clinical

practice for consumers with thoughts of suicide. The consumer was hospitalized twice within the same year for suicide attempts, with no dates documented for the hospitalization. The consumer's eventual crisis plan involved the mother, who was at the time incarcerated. Even after a year of her incarceration, the crisis plan was not updated.

Other critical incident investigations have revealed **providers not responding to another provider's request to consult regarding prescription changes** for a consumer, although the consumer signed release of information forms, with four physicians prescribing a variety of potent medications throughout 2012 for one consumer.

In another case in 2012, an **inpatient psychiatric facility did not follow its policies of keeping all suicidal tendency consumers in the "line of sight"** and only "checked in" on the consumer every 15 minutes, resulting in a consumer committing suicide in the facility.

These are just a few examples of many egregious instances found while auditing case files throughout the behavioral health system. This illustrates the importance of conducting these audits. It also illustrates that we must hold providers accountable for every dollar that is spent so that we can ensure that some of our most vulnerable citizens are receiving the treatment they need. If we are to make an impact on our suicide, overdose, and substance abuse death rates, accountability is key.

Unusual Business Findings

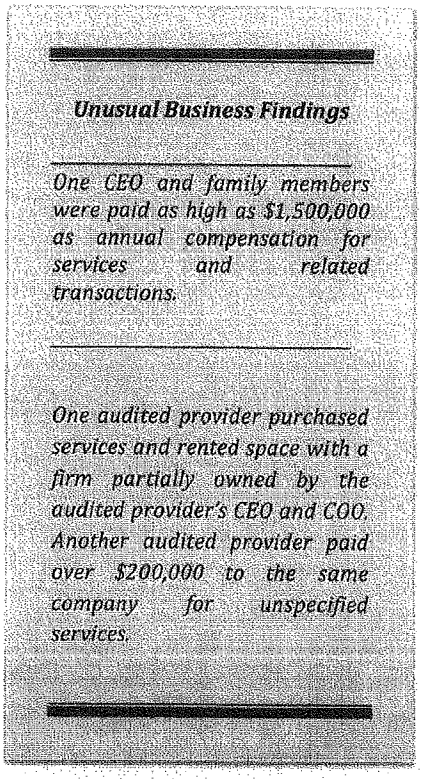
Many other key findings on the business side of the audit include instances of highly unusual payments to family members, large golden parachutes to non-profit corporate CEOs, and irregular audit practices.

Some examples of questionable business practices include:

Unusual compensation and/or benefits for key stakeholders were found in some instances. In one instance, one CEO and family members were paid as much as $1,500,000 as annual compensation for services and related transactions.

Various parties have financial relationships with related entities. One audited provider purchased services and rented space with a firm partially owned by the audited provider's CEO and COO. Another audited provider paid over $200,000 to the same company for unspecified services.

A deferred compensation package for one CEO was found to be extremely excessive. The non-profit established a deferred compensation package that would provide payment of $60,000 per year for seven years and on June 30, 2014 for ten years. This compensation package would kick in upon termination of the director's employment for any reason.



Billing System Findings

Fraudulent practices, such as double billing, over billing, or billing for services not provided, affect the entire system. In the long run we cannot get a good handle on how much progress is being made in our communities on behavioral health issues if the funding is being misspent or mismanaged. The audits have uncovered systemic problems in billing for services, many willful, some through poor business practices.

Examples include:

A provider was found "copying and pasting" progress notes. When this occurs, it is impossible to tell if consumers are getting the services they need, or if they are totally fabricated.

Many providers were found to bill for more units of service than provided -- such as providing 17 units of service, but billing and receiving payment for 41 units. In this instance, a **payment for 250% more than should have been received resulted because of potentially fraudulent billing**.

The **auditor was unable to complete a comprehensive review of billing systems** as one of the vendors prohibited auditors from reviewing the system manuals because they were considered proprietary. This **prevented the auditors from being able to complete a thorough review into billing systems to determine if billing malfeasance was purposefully programmed into systems.**

OptumHealth conducted research within their claims system that identified many instances where providers **billed for individual clinicians' services of up to 15 hours within one work day**. Their research also identified **billing for a consumer for services at two providers in a business relationship on the same date of service**.

Next Steps

HSD recognizes that the behavioral health system is in crisis, and has been for years, as revealed by this audit. We remain committed to providing quality behavioral health services to some of our most vulnerable citizens while protecting the integrity of taxpayer funds and implementing recommendations from the audit. We must make wide and deep systemic changes in order to continue providing these services and to reduce the rate of suicide, drug overdose deaths, and substance abuse deaths.

Protocall Crisis Hotline
1-855-NMCRISIS
(1-855-662-7474)

This crisis hotline is available 24/7 for any type of behavioral health crisis. Bilingual staff will follow up within 24 hours of the initial contact to help assist.

Consumers of behavioral health services should rest assured that HSD and the Collaborative have their best interests at heart. We have made preparations to ensure little to no disruption of services occurs while this process takes place.

A crisis hotline called Protocall has been in operation since the beginning of the year. Any person can call 24 hours a day, 7 days a week for any type of behavioral health issue. The bilingual staff on the other end will help consumers navigate the system and follow up within 24 hours to help access care if there is an issue. Their phone number is 1-855-NMCRISIS (1-855-662-7474).

In addition, HSD and the Collaborative have identified providers that can help maintain services. These providers have more than 15 years of service in Arizona, a state with similar demographics. They have provided high quality services and excellent leadership in the behavioral health industry and will help ensure services continue in New Mexico.

We are also pledging to provide a variety of changes at the provider level, as well as to the system in general. The next steps to address provider and systemic issues will include:

- Providing deeper and ongoing technical assistance in the areas of clinical best practices and billing processes and procedures to providers;
- Overhauling and implementing a new ongoing, comprehensive program integrity program that will include more closely monitoring State contractors and provider networks. Pre-payment claims review will now occur;
- Increasing data mining efforts to identify trends based on utilization of services by behavioral health consumers and implementing specific targets to meet those trends;
- Reviewing and revising the behavioral health billing rules and regulations;
- Drafting legislation to reorganize the Collaborative and refocusing the mission on tracking and protecting the integrity of consumer centered services; and
- Importing best practices from other states to institute transparency scorecards of provider agencies.

HSD, in conjunction with the AGO, will also focus on recoupment of lost funds, if that option is available. While any credible allegations of fraud have been turned over to their office, we all have a duty to protect taxpayer dollars while trying to maintain quality services for some of our most vulnerable citizens, and will continue to work towards that goal.

Without these changes New Mexico will continue to be mired in a system that is not serving its consumers to the fullest potential, a system which should be providing quality care to our most vulnerable friends, relatives, and neighbors but is not. HSD and the Collaborative are fully committed to implementing these changes, while continuously monitoring the outcome of this audit and any investigations that take place as a result.